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MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2017/2018 SESSION

BCS 4614 – GOODS AND SERVICE TAXES

(All Sections / Groups)

30 MAY 2018
9.00 am – 12.00 pm
(3 Hours)

INSTRUCTION TO STUDENT

1. This Question paper consists of 6 pages (excluding cover page) with 5 Questions only.
2. Answer **ALL** Questions. All question carry equal marks. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided
4. Take note of the following matters in respect of the question paper:
   (i) GST refers to goods and services tax under the Goods and Services Tax Act 2014 (as amended).
   (ii) RMC refers to the Royal Malaysian Customs.
   (iii) All reference to sections is to the Goods and Services Tax Act 2014 (as amended) unless otherwise specified.

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QUESTION 1

Registration is mandatory for businesses whose taxable turnover has exceeded the prescribed threshold of RM 500,000 per annum.

(a) Explain the historical & the future method of determining your taxable turnover.

(4 marks)

(b) In determining the value of your taxable turnover, there are some items that are excluded. List and explain four (4) such items.

(4 marks)

(c) XYZ Sdn Bhd has compiled the following data on its turnover:

	1 April 2016 to 31 March 2017(Actual) (historical data) RM	1 April 2017 to 28 Feb 2018 – Forecast (on reasonable basis) RM
Turnover		
Standard Rated	200,000	250,000
Zero Rated	120,000	140,000
Exempt Supply	280,000	305,000
Total turnover	**600,000**	**695,000**
Taxable supply not included in turnover		
Credit against expense Account (e.g. reimbursement)	10,000	20,000
Capital Assets (commercial property, machinery, office equipment etc)		100,000
Deemed Supply(taxable)		
Imported services	20,000	10,000
Supplies without consideration	10,000	5,000

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Required

i. Based on the data above calculate the historical turnover and the future turnover for XYZ Sdn Bhd.

(8 marks)

ii. Based on calculation in (i), when should XYZ Sdn Bhd notify the Director General of Customs and when will be the effective date of registration for XYZ Sdn Bhd?

(4 marks)

(Total 20 marks)

QUESTION 2

(a) What are the types (category) of Taxable Supply and Non-Taxable supply.

(4 marks)

(b) There are a number of matters which are treated either as a supply of goods nor a supply of service. List four (4) such items

(4 marks)

(c) Explain the " basic tax point" for:

(i) The Supply of Goods

(ii) The Supply of Service.

(4 marks)

(d) Design Associates accepted a client on 1st January 2018 to provide interior decorating services which is to commence from 1st February 2018 to 31 May 2018. Design Associates raised a tax invoice for the entire fee for the services amounting to RM 31,800 on 1st January 2018. On the same day the client paid RM 15,900 as an advance payment.

Required

(i) When is the time of supply? Explain your answer.

(5 marks)

(ii) In reference to (d) same conditions but Design Associate raised the tax invoice on 6th June 2018 and balance of payment received at a later date; how will your answer in (i) change. Explain.

(3 marks)

(Total 20 marks)

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QUESTION 3

Part A

(a) Explain the difference between an "advance payment" and a "deposit" in terms of the application of GST.

(3 marks)

(b) You are a GST registered person in the business of owning and renting commercial properties. At present you have an unoccupied office lot and a tenant approaches you to rent the office lot. The rental you are going to charge the tenant is RM 4,240 (GST inclusive) per month.

The tenant is required to sign a two year rental agreement (January 2017 to December 2018) and pay a deposit of 2 months rental. These 2 months rental can be utilized to:

a) Offset against the last 2 months (November and December 2018) rental upon expiry of the rental agreement ; **or**

b) Be fully refunded upon expiry of the rental agreement.

Required

(i) What is the accounting entry for the month of January 2017 when the tenant pays the deposit and the January rental?

(2 marks)

(ii) What is the accounting entry for the subsequent months (show only for one month)

(2 marks)

(iii) In October 2018, the tenant decided to stop renting the property and requested to utilize the deposits to offset against the last 2 months' rental. Show the journal entry for the month of November & December 2018.

(3 marks)

Part B

(a) Under the GST Act 2014, a supplier is entitled to claim bad debt relief. There are a number of conditions to be fulfilled before he can claim bad debt relief.

List four (4) of these conditions.

(4 marks)

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(b) SJS Sdn Bhd is making wholly taxable supply and has monthly taxable periods. The company has acquired raw materials from a supplier for which invoice of RM 212,000 (inclusive of GST) was raised on 14 August 2017.

The company made the following payments to the supplier:

December 2017 – RM 100,000

April 2018 – RM 60,000

June 2018 – RM 52,000

Required

Show the relevant journal entries including the GST implications.

(6 marks)

(Total 20 marks)

QUESTION 4

Part A

a. There are matters to be taken into consideration to determine the GST treatment in the supply of goods & services as gifts.

(i) List the three (3) criteria when the transfer or disposal of business assets as a gift are **not** subjected to GST

(3 marks)

(ii) If a supply of gift does not qualify for the above three (3) criteria in (i) what will be the treatment of the supply? Explain.

(2 marks)

b. Samsang Corporation is large manufacturer of handphone. Its flagship handphone, SS10 is facing intense competition in the market. Samsang sells its handphone through a number of distributors who then sell it to customers. Due to the intense competition from other handphone manufacturers and to capture a larger market share, Samsang undertakes a number of sales promotion to boost it's sales. One of the promotion done was by giving distributors branded free gifts such as t-shirts, wind jackets and umbrellas to the customer through the distributors when they purchase the handphone. However, the branded goods are supplied to distributors not all at the same time as the principal goods. The principal goods (handphones) was supplied earlier.

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Required

(i) Is the giving of the free gift items by Samsang to the **distributor** a "Gift" (no GST implications) or is it subject to GST? Explain your answer.

(8 marks)

Part B

(a) Under Sec. 13(3)-a person other than a taxable person shall be liable for any tax due and payable on the supply of imported services if all five (5) rules on imported services is applicable.

List three (3) of these rules on imported service.

(3 marks)

(b) Datuk Lim, a successful businessman bought a bungalow house for his son's birthday. He hires a famous interior decorator from Australia who does not have any fixed establishment in Malaysia to render interior decorating services for the bungalow house. The cost for the services was RM 100,000. Datuk Lim is unsure whether the services provided by the interior decorator from Australia is subject to GST.

Advice Datuk Lim whether GST is applicable or not. Explain your answer.

(4 marks)

(20 marks)

QUESTION 5

(a) Capital good adjustment (CGA) applies to the allocation of residual input tax in respect of capital assets acquired by a mixed supplier for use in making taxable supply and exempt supply.

Explain the objective of capital goods adjustment.

(3 marks)

(b) Paramount Property Development Bhd is a mixed supplier with monthly taxable periods has its financial year end ending on 31 December. It acquired a mobile cement mixer for it's business on 6th. January 2017 for making both taxable and exempt supplies. GST of RM 120,000 was charged by the supplier of the cement mixer.

Required

Tabulate the relevant intervals for the cement mixer.

(3 marks)

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The annual proportional taxable use (or annual residual input tax recovery rate) of the cement mixer is as follows:-

INTERVAL	%
First Interval	85.55
Second Interval	89.12
Third Interval	92.14
Fourth Interval	78.81
Fifth (final) Interval	68.85

(i) What is the amount of input tax credit (ITC) that can be claimed for the first interval.

(4 marks)

(ii) Prepare in tabular form the amount of adjustment to be made under capital goods adjustment (CGA) for the subsequent four (4) intervals. Indicate for each interval whether Paramount Properties Bhd can claim additional input tax credit or is required to make repayments.

(10 marks)

(Total 20 marks)

End of Page.